



ALVOPETRO ANNOUNCES OPERATIONAL UPDATE AND SECOND QUARTER FINANCIAL AND OPERATING RESULTS

Calgary, Alberta, August 15, 2018 – Alvopetro Energy Ltd. (TSX-V:ALV) announces an operational update and our second quarter financial and operating results.

Operational Update

Over the past four months we have made considerable progress in the development of our strategic natural gas assets in Bahia State in Brazil. We finalized the terms of the unitization agreement for our Caburé natural gas field with the adjacent resource owner and have agreed to a development plan which will be executed in 2018 and 2019. The unit development plan includes the construction of low and high-pressure production facilities, the tie-in of existing wells and drilling of up to four new development wells with a planned gross field production plateau rate of 15.9 mmcf/d (450,000 m³/d). Under the terms of the agreement, the majority of the initial unit development capital will be funded by our partner, with Alvopetro's share to be reimbursed when we commence production or in March 2020, whichever occurs first.

In May 2018, we entered into a long-term gas sales agreement ("GSA") with Bahiagás, with deliveries set to commence on January 1, 2020, or earlier with mutual consent. The GSA provides for the sale of 5.3 mmcfpd (150,000 m³/d) on a firm basis and up to 12.4 mmcfpd (350,000 m³/d) on an interruptible basis, adjustable annually. The natural gas price to be received under the GSA is set semi-annually (in February and August) using a trailing weighted average basket of benchmark prices including Henry Hub and National Balancing Point gas prices and Brent crude oil prices, with a floor of \$5.00/mmbtu and a ceiling of \$8.50/mmbtu (both subject to United States inflation). The calculated natural gas price under the GSA for the month of August 2018 was \$6.82/mmbtu and will be adjusted next in February 2019.

In June 2018, GLJ Petroleum Consultants ("GLJ") completed an independent reserves evaluation of both our Caburé natural gas field and the Gomo gas discovered from our 183(1) and 197(1) wells. Total proved plus probable ("2P") reserves of 5.7 mmboe were assigned to these assets with a before tax value discounted at 10% of US\$124.0 million. When combined with the December 31, 2017 reserves evaluation of our producing oil fields by Sproule International Limited ("Sproule"), the Company's total 2P reserves are 6.4 mmboe with a before tax value discounted at 10% of US\$135.6 million.

Our efforts are now focused on the development of these assets. Alvopetro will build a natural gas processing facility ("UPGN") and an 11-kilometre pipeline from the Caburé unit facilities to the UPGN. Alvopetro has secured the land for the UPGN, completed all field survey and permitting work, and the application for construction was submitted for regulatory approval in April 2018. The Gomo natural gas project will connect to the UPGN via an 8-km transfer pipeline to be built in 2019 following the stimulation of the 183(1) well planned for later in 2018. We anticipate approximately \$1.8 million in capital expenditures for the Caburé and Gomo development later in 2018 and up to \$14.0 million in 2019. We are in the process of securing project financing for this development and finalizing the award of contracts for construction of the pipeline and the UPGN.

Financial and Operating Highlights – Second Quarter of 2018

- Our production increased to 33 bopd in the second quarter, a 57% increase from the first quarter 2018, largely due to increased production from our Bom Lugar well. As a result of increased sales volumes, rising commodity prices and reduced production expenses, we achieved an operating netback of \$4.28 per barrel in the quarter.
- Capital expenditures of \$0.9 million in the second quarter included Caburé permitting and unit development costs of \$0.6 million and capitalized G&A of \$0.3 million.
- We reported a net loss of \$1.1 million in the second quarter due to negative funds flow from operations of \$0.8 million and impairment charges of \$0.2 million recognized in the quarter. We relinquished Block 106 subsequent to June 30, 2018 and recognized an impairment of \$0.2 million in the quarter to reduce the carrying value of the block

to \$nil. E&E expense in the quarter was primarily attributable to the remaining work commitment outstanding on this block.

- Our cash, restricted cash and working capital resources total \$5.5 million, including cash and cash equivalents of \$5.8 million.

Summary of Q2 2018 Financial and Operating Results

The following table provides a summary of Alvo Petro's financial and operating results for the three and six months ended June 30, 2018 and June 30, 2017. The consolidated financial statements with the Management's Discussion and Analysis ("MD&A") are available on our website at www.alvopetro.com and will be available on the System for Electronic Document Analysis and Retrieval (SEDAR) website at www.sedar.com.

SELECTED QUARTERLY AND ANNUAL RESULTS

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
Financial				
(\$000s, except where noted)				
Oil sales	216	86	332	257
Net loss	(1,128)	(814)	(2,017)	(1,707)
Per share – basic and diluted (\$) ⁽¹⁾	(0.01)	(0.01)	(0.02)	(0.02)
Funds flow from operations ⁽²⁾	(844)	(723)	(1,686)	(1,520)
Per share – basic and diluted (\$) ⁽¹⁾	(0.01)	(0.01)	(0.02)	(0.02)
Capital expenditures ⁽³⁾	930	566	2,206	3,335
Total assets	62,150	74,013	62,150	74,013
Debt and other long-term liabilities	608	-	608	-
Net working capital surplus ^{(2) (4)}	5,454	12,304	5,454	12,304
Common shares outstanding, end of year (000s)				
Basic	85,167	85,167	85,167	85,167
Diluted ⁽¹⁾	93,008	91,806	93,008	91,806
Operations				
Operating netback (\$/bbl) ⁽²⁾				
Brent benchmark price	74.91	50.92	71.04	52.80
Discount	(3.81)	(7.15)	(3.41)	(5.47)
Sales price	71.10	43.77	67.63	47.33
Transportation expenses	(1.65)	(2.04)	(1.83)	(2.39)
Realized sales price	69.45	41.73	65.80	44.94
Royalties and production taxes	(6.25)	(6.11)	(6.52)	(5.34)
Production expenses	(58.92)	(127.23)	(84.54)	(85.64)
Operating netback	4.28	(91.61)	(25.26)	(46.04)
Average daily crude oil production (bopd)	33	22	27	30

Notes:

- (1) Consists of outstanding common shares and stock options of the Company.
- (2) Non-GAAP measure. See "Non-GAAP Measures" section within this news release.
- (3) Includes non-cash capital expenditures of \$nil in the six months ended June 30, 2018 (June 30, 2017 - \$0.4 million).
- (4) Includes current restricted cash of \$0.1 million (June 30, 2017 - \$0.1 million) and assets held for sale of \$0.2 million (June 30, 2017 - \$0.1 million).

Enercom's The Oil and Gas Conference[®]

Alvo Petro will be presenting at EnerCom's The Oil and Gas Conference[®] taking place in Denver at the Downtown Westin Hotel from August 20 to 22, 2018. Alvo Petro is scheduled to present on Wednesday August 22, 2018 beginning at 9:40 am (MST).

Updated Corporate Presentation

Alvopetro's updated corporate presentation is available at: <http://www.alvopetro.com/corporate-presentation>.

Alvopetro Energy Ltd.'s vision is to become a leading independent upstream and midstream operator in Brazil. Our strategy is to unlock the on-shore natural gas potential in the state of Bahia in Brazil, building off the development of our Caburé and Gomo natural gas assets and the construction of strategic midstream infrastructure.

Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this news release.

Abbreviations:

bopd	=	barrels of oil per day
m3	=	cubic metre
m3/d	=	cubic metre per day
mmboe	=	million barrels of oil equivalent
mmbtu	=	million British Thermal Units
mmcf	=	million cubic feet
mmcfpd	=	million cubic feet per day

BOE Disclosure. The term barrels of oil equivalent ("boe") may be misleading, particularly if used in isolation. A boe conversion ratio of six thousand cubic feet per barrel (6Mcf/bbl) of natural gas to barrels of oil equivalence is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. All boe conversions in this news release are derived from converting gas to oil in the ratio mix of six thousand cubic feet of gas to one barrel of oil.

Oil and Natural Gas Reserves. All net present values in this news release are based on estimates of future operating and capital costs and forecast prices used by GLJ and Sproule. The reserves definitions used in these evaluations are the standards defined in the Canadian Oil and Gas Evaluation Handbook reserve definitions and consistent with NI 51-101 and used by GLJ and Sproule, respectively. The disclosure in this news release summarizes certain information contained in the GLJ Report and the Sproule Report but represents only a portion of the disclosure required under NI 51-101. The GLJ Report is for the interim period ended May 31, 2018 and the Sproule Report is for the year ended December 31, 2017. Full disclosure with respect to the Company's reserves as at December 31, 2017 is contained in the Company's annual information form for the year ended December 31, 2017 which was filed on SEDAR.

Forward-Looking Statements and Cautionary Language. This news release contains "forward-looking information" within the meaning of applicable securities laws. The use of any of the words "will", "expect", "intend" and other similar words or expressions are intended to identify forward-looking information. More particularly and without limitation, this news release contains forward-looking information concerning anticipated outcomes of regulatory determinations, future results from operations, projected financial results and financing requirements, future capital and operating costs, future production rates, proposed exploration and development activities, sources and availability of capital, and capital spending levels. Forward-looking statements are necessarily based upon assumptions and judgments with respect to the future including, but not limited to, the success of future drilling, completion, recompletion and development activities, the outlook for commodity markets and ability to access capital markets, the performance of producing wells and reservoirs, well development and operating performance, general economic and business conditions, weather and access to drilling locations, the availability and cost of labour and services, environmental regulation, including regulation relating to hydraulic fracturing and stimulation, the ability to monetize hydrocarbons discovered, the regulatory and legal environment and other risks associated with oil and gas operations. The reader is cautioned that assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be incorrect. Actual results achieved during the forecast period will vary from the information provided herein as a result of numerous known and unknown risks and uncertainties and other factors. Although Alvopetro believes that the expectations and assumptions on which such forward-looking information is based are reasonable, undue reliance should not be placed on the forward-looking information because Alvopetro can give no assurance that it will prove to be correct. Readers are cautioned that the foregoing list of factors is not exhaustive. Additional information on these and other factors that could affect the operations or financial results of Alvopetro are included in our annual information form which may be accessed through the SEDAR website at www.sedar.com. The forward-looking information contained in this news release is made as of the date hereof

and Alvopetro undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws.

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